

SECTION 300—PLANNING, BUDGETING, ACQUISITION, AND MANAGEMENT OF CAPITAL ASSETS

Table of Contents

- 300.1 What is the purpose of this section?
- 300.2 Does this section apply to me?
- 300.3 What background information must I know?
- 300.4 What special terms should I know?
- 300.5 How should agencies manage capital assets?
- 300.6 How are capital asset acquisitions funded?
- 300.7 What is exhibit 300 and how is it organized?
- 300.8 What other requirements does exhibit 300 fulfill?
- 300.9 What must I report on exhibit 300 and when?
- 300.10 How does OMB use the exhibit 300s?
- 300.11 What additional information should I know?

Ex-300 Capital Asset Plan and Business Case Summary

Summary of Changes

300.1 What is the purpose of this section?

Part 7 (section 300) of this Circular establishes policy for planning, budgeting, acquisition and management of Federal capital assets, and instructs you on budget justification and reporting requirements for major IT investments. OMB provides procedural and analytic guidelines for implementing specific aspects of these policies as appendices and supplements to this Circular and in other OMB circulars. For information technology, this is a companion section to section [53](#).

300.2 Does this section apply to me?

The policy and budget justification and reporting requirements in this section apply to all agencies of the Executive Branch of the government that are subject to Executive Branch review (see section [25](#)). All major investments must submit an exhibit 300 in accordance with this section. Major Information Technology investments must be reported on your agency's exhibit 53 (see section [53](#)).

300.3 What background information must I know?

The Federal Government must effectively manage its portfolio of capital assets to ensure that scarce public resources are wisely invested. Capital programming integrates the planning, acquisition and management of capital assets into the budget-decision-making process, and is intended to assist agencies in improving asset management and in complying with the results-oriented requirements of:

- The Government Performance and Results Act of 1993, which establishes the foundation for budget decision-making to achieve strategic goals in order to meet agency mission objectives. Instructions for

preparing strategic plans, annual performance plans, and annual program performance reports are provided in part 6 of this Circular (see section [220](#)).

- The Federal Managers Financial Integrity Act of 1982, Chief Financial Officers Act of 1990 and Federal Financial Management Improvement Act of 1996, which require accountability of financial and program managers for financial results of actions taken, control over the Federal government's financial resources, and protection of Federal assets. OMB policies and standards for developing, operating, evaluating, and reporting on financial management systems are contained in Circular A-127, *Financial Management Systems* and section [52](#) of this Circular.
- The Paperwork Reduction Act of 1995, which requires that agencies perform their information resource management activities in an efficient, effective and economic al manner.
- The Clinger-Cohen Act of 1996, which requires agencies to use a disciplined capital planning and investment control process to acquire, use, maintain and dispose of information technology. OMB policy for management of Federal information resources is contained in Circular A-130, *Management of Federal Information Resources*, and section [53](#) of this Circular.
- The Federal Acquisition Streamlining Act of 1994, Title V (FASA V), which requires agencies to establish cost, schedule and measurable performance goals for all major acquisition programs, and achieve on average 90 percent of those goals. OMB policy for performance-based management is also provided in this section.
- The Federal Information Security Management Act (FISMA), which requires agencies to integrate IT security into their capital planning and enterprise architecture processes at the agency, conduct annual IT security reviews of all programs and systems, and report the results of those reviews to OMB.
- The E-government Act of 2002 (P.L. 107-347), which requires agencies to develop performance measures for implementing e-government. The Act also requires agencies to support government-wide e-government initiatives and to leverage cross-agency opportunities to further e-government. In addition, the Act requires agencies to conduct, and submit to OMB, privacy impact assessments for all new IT investments administering information in identifiable form collected from or about members of the public.

300.4 What special terms must I know?

In addition to the budget terms and concepts in section 20, and the information technology and E-Government terms in section 53, you should know that:

Capital assets are land, structures, equipment, intellectual property (e.g., software), and information technology (including IT service contracts) that are used by the Federal government and have an estimated useful life of two years or more. See Appendix One of the Capital Programming Guide for a more complete definition of capital assets. Capital assets do not include items acquired for resale in the ordinary course of operations or items that are acquired for physical consumption, such as operating materials and supplies. Capital assets may be acquired in different ways: through purchase, construction, or manufacturing; through a lease-purchase or other capital lease (regardless of whether title has passed to the Federal Government); through an operating lease for an asset with an estimated useful life of two years or more; or through exchange. Policy on leases is contained in part I, section [33.1](#). Capital assets may or may not be capitalized (i.e., recorded in an entity's balance sheet) under Federal accounting standards. Capital assets do not include grants to State and local governments or other entities for acquiring capital assets (such as National Science Foundation grants to universities or Department of Transportation grants to AMTRAK) or intangible assets, such as the knowledge resulting from research and development or the human capital resulting from education and training. For more discussion on capital assets, you should consult the *Capital Programming Guide* (June 1997), a Supplement to this Circular.

Capital planning and investment control (CPIC) is the same as capital programming and is a decision-making process for ensuring that information technology (IT) investments integrate strategic planning, budgeting, procurement, and the management of IT in support of agency missions and business needs. The term comes from the Clinger-Cohen Act of 1996 and generally is used in relationship to IT management issues.

Capital programming means an integrated process within an agency for planning, budgeting, procurement and management of the agency's portfolio of capital assets to achieve agency strategic goals and objectives with the lowest life-cycle cost and least risk.

Capital project (investment) means the acquisition of a capital asset and the management of that asset through its life-cycle after the initial acquisition. Capital projects (investments) may consist of several useful segments.

Earned value management (EVM) is a project (investment) management tool that effectively integrates the investment scope of work with schedule and cost elements for optimum investment planning and control. The qualities and operating characteristics of earned value management systems are described in American National Standards Institute (ANSI)/Electronic Industries Alliance (EIA) Standard –748–1998, *Earned Value Management Systems*, approved May 19, 1998. It was reaffirmed on August 28, 2002. A copy of Standard 748 is available from Global Engineering Documents (1–800–854–7179). Information on earned value management systems is available at <http://www.acq.osd.mil/pm>.

Full acquisition means the procurement and implementation of a capital project (investment) or useful segment/module of a capital project (investment). Full acquisition occurs after all planning activities are complete and the agency's Executive Review Committee or Investment Review Board selects and approves the proposed technical approach and project (investment) plan, and establishes the baseline cost, schedule and performance goals for this phase of the investment.

Full funding means that appropriations—regular annual appropriations or advance appropriations—are enacted that are sufficient in total to complete a useful segment of a capital project (investment) before any obligations may be incurred for that segment. When capital projects (investments) or useful segments are incrementally funded, without certainty if or when future funding will be available, it can result in poor planning, acquisition of assets not fully justified, higher acquisition costs, project (investment) delays, cancellation of major projects (investments), the loss of sunk costs, or inadequate funding to maintain and operate the assets. Budget requests for full acquisition of capital assets must propose full funding (see section [31.4](#)).

Interagency Acquisition means the use of Federal Supply Schedules, a multi-agency contract (i.e., a task order or delivery order contract established by one agency for use by government agencies to obtain supplies and services, consistent with the Economy Act, 31 U.S.C. 1535), or a government-wide acquisition contract (i.e., a task-order or delivery-order contract for information technology established by one agency for government-wide use that is operated by an executive agent designated by OMB pursuant to section 11302(3) of the Clinger Cohen Act of 1996).

Life-cycle costs means the overall estimated cost, both government and contractor, for a particular program alternative over the time period corresponding to the life of the program, including direct and indirect initial costs plus any periodic or continuing costs of operation and maintenance.

Major acquisition means a capital project (investment) that requires special management attention because of its: (1) importance to an agency's mission; (2) high development, operating, or maintenance costs; (3) high risk; (4) high return; or (5) significant role in the administration of an agency's programs, finances, property, or other resources. The agency's documented capital programming process should include the criteria for determining when an investment is classified as major.

Mixed life-cycle means a capital project (investment) that spans multiple capital programming phases, i.e. has both planning and full acquisition (or, for IT, development/modernization/enhancement (DME)) and operation and maintenance (or, for IT, steady state (SS)) components.

Operational (steady state) means an asset or part of an asset that has been delivered and is performing the mission.

Performance-based acquisition management means a documented, systematic process for program management, which includes integration of program scope, schedule and cost objectives, establishment of a baseline plan for accomplishment of program objectives, and use of earned value techniques for performance measurement during execution of the program. EVMS is required for those parts of the investment where developmental effort is required. This includes prototypes and tests to select the most cost effective alternative during the Planning Phase, the work during the Acquisition Phase, and any developmental, modification or upgrade work done during the Operational/Steady State Phase. EVMS is to be applied to both government and contractor efforts. For operational/steady state systems, an operational analysis system as discussed in Phase IV of the Capital Programming Guide is required. A performance-based service contract/agreement with a defined quality assurance plan should be the basis for monitoring contractor or in-house performance of this phase.

Planning means preparing, developing or acquiring the information you will use to: design the investment; assess the benefits, risks, and risk-adjusted life-cycle costs of alternative solutions; and establish realistic cost, schedule, and performance goals, for the selected alternative, before either proceeding to full acquisition of the capital project (investment) or useful segment or terminating the investment. Planning must progress to the point where you are ready to commit to achieving specific goals for the completion of the acquisition before preceding to the acquisition phase. Information gathering activities may include market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. Planning is a useful segment of a capital project (investment). Depending on the nature of the investment, one or more planning segments may be necessary.

Risk adjusted life-cycle costs means the overall estimated cost for a particular investment alternative over the time period corresponding to the life of the investment, including direct and indirect initial costs plus any periodic or continuing costs of operation and maintenance that has been adjusted to accommodate any risk identified in the risk management plans.

Section 508 refers to Section 508 of the Rehabilitation Act of 1973 ([29 U.S.C. 794d](#)), which requires Federal agencies to develop, procure, maintain, or use electronic and information technology (EIT) that is accessible to Federal employees and members of the public with disabilities.

Share-Shavings Contract means a contract for information technology in which the government, under the authority of Section 210 of the E-Government Act of 2002, awards a contract to improve mission-related or administrative processes or to accelerate the achievement of its mission and share with the contractor in savings achieved through contract performance.

Useful segment/module means an economically and programmatically separate component of a capital investment that provides a measurable performance outcome for which the benefits exceed the costs, even if no further funding is appropriated.

Additional budget terms and definitions are included in the Glossary in [Appendix J](#), "Principles of Budgeting for Capital Asset Acquisitions."

300.5 How will agencies manage capital assets?

Agencies must establish and maintain a capital programming process that links mission needs and capital assets in an effective and efficient manner. Effective capital programming requires long-range planning and a disciplined budget decision-making process as the basis for managing a portfolio of assets to achieve performance goals and objectives with minimal risk, lowest life-cycle costs, and greatest benefits to the agency's business. The process will integrate the agency's capital investments; strategic and performance plans prepared pursuant to the Government Performance and Results Act of 1993; financial management plans prepared pursuant to the Chief Financial Officer Act of 1990 ([31 U.S.C. 902a5](#)); information resource management plans prepared pursuant to the Clinger-Cohen Act (Pub. L. 104–106, Division E); method for performance-based acquisition management under the Federal Acquisition Streamlining Act of 1994, Title V; and budget formulation and execution processes.

The documented capital programming process defines how an agency will select capital investment included in the agency's capital asset portfolio for funding each year; how capital investments, once initiated, will be controlled to achieve intended cost, schedule, and performance outcomes; and how once the asset is operational the agency will continue to evaluate asset performance to maintain a positive return on investment. A cross-functional executive review committee acting for or with the Agency Head must be responsible for managing the agency's entire capital asset portfolio, making decisions on the best allocation of assets to achieve strategic goals and objectives within budget limits. This process must also leverage opportunities for collaboration across agencies on capital assets that support common lines of business to serve the citizens, businesses, governments, and internal Federal operations.

The Capital Programming Guide, which supplements this part, provides guidance on the principles and techniques for effective capital programming. [Appendix J](#) of this part explains the principles of financing capital asset acquisitions. Section 8b of OMB Circular A–130 establishes additional requirements for enterprise architectures, planning and control of information systems and technology investments and performance management. Agencies must develop, implement and use a capital programming process to develop their capital asset portfolio, and must:

- Evaluate and select capital asset investments that will support core mission functions that must be performed by the Federal government and demonstrate projected returns on investment that are clearly equal to or better than alternative uses of available public resources;
- Initiate improvements to existing assets or acquisitions of new assets only when no alternative private sector or governmental source can more efficiently meet the need;
- Simplify or otherwise redesign work processes to reduce costs, improve effectiveness, and make maximum use of commercial services and off-the-shelf technology;
- Reduce project risk by avoiding or isolating custom designed components, using components that can be fully tested or prototyped prior to full implementation or production, ensuring involvement and support of users in the design and testing of the asset;
- Structure major acquisitions into useful segments with a narrow scope and brief duration, make adequate use of competition and appropriately allocate risk between government and contractor. The Agency Head must approve or define the cost, schedule and performance goals for major acquisitions, and the agency's Chief Financial Officer must evaluate the proposed cost goals;
- Institute performance measures and management processes that monitor and compare actual performance to planned results. Agencies must use a performance-based acquisition management system, based on the ANSI/EIA Standard 748, to obtain timely information regarding the progress of capital investments. The system must also measure progress towards milestones in an independently verifiable basis, in terms of cost, capability of the investment to meet specified requirements, timeliness, and quality. Agencies are expected to achieve, on average, 90 percent of the cost, schedule and performance goals for major

acquisitions. Agency heads must review major acquisitions that are not achieving 90 percent of the goals to determine whether there is a continuing need and what corrective action, including termination, should be taken;

- Ensure that information technology systems conform to the requirements of OMB Circular No. A-130, "Management of Federal Information Resources";
- Ensure that financial management systems conform to the requirements of OMB Circular No. A-127, "Financial Management Systems";
- Conduct post-implementation reviews of capital programming and acquisition processes, and projects to validate estimated benefits and costs, and document effective management practices, i.e., lessons learned, for broader use; and
- Establish oversight mechanisms that require periodic review of operational capital assets to determine how mission requirements might have changed, and whether the asset continues to fulfill ongoing and anticipated mission requirements, deliver intended benefits to the agency and customers, and meet user requirements.

300.6 How are capital asset acquisitions funded?

(a) Background.

Good budgeting requires that appropriations for the full costs of asset acquisition be enacted in advance to help ensure that all costs and benefits are fully taken into account when decisions are made about providing resources. For most spending on acquisitions, this rule is followed throughout the Government. When capital assets are funded in increments, without certainty if or when future funding will be available, it can and occasionally does result in poor planning, acquisition of assets not fully justified, higher acquisition costs, project (investment) delays, cancellation of major investments, the loss of sunk costs, or inadequate funding to maintain and operate the assets.

(b) Full funding policy.

The full funding policy (see section [31.4](#)) requires that each useful segment (or module) of a capital investment be fully funded with either regular annual appropriations or advance appropriations. For definitions of these terms, see section [300.4](#) or the Glossary of Appendix J. Appendix J elaborates on the full funding concept (see [Appendix J](#) section C, Principles of Financing).

For the initial budget submissions, you are required to request full budget resources for all ongoing and new proposals for capital assets or at least for each useful segment of a capital project (investment).

Identify in the initial budget submission any additional budget authority required to implement full funding for existing investments. Adjustments to your planning guidance levels will be considered based on your budget submissions.

300.7 What is exhibit 300 and how is it organized?

The exhibit 300 helps justify your program and financing requests. It helps OMB to:

- Determine adherence to the agency's capital programming and investment decision-making process;

- Ensure that spending on capital assets directly supports your agency's mission and will provide a return on investment equal to or better than alternate uses of funding;
- Identify poorly performing investments, i.e. investments that are behind schedule, over budget, or lacking in capability;
- Identify capital assets that no longer fulfill ongoing or anticipated mission requirements or do not deliver intended benefits to the agency or its customers; and
- For IT, evaluate the business cases for IT investments. Business case summaries should include information about security, privacy, enterprise architecture, and provide the effectiveness and efficiency gains planned by the business lines and functional operations.

Exhibit 300 consists of three parts, each designed to provide different types of information about the capital asset (investment) requesting funding. Agencies must review their portfolio of capital assets each year to determine whether it continues to meet agency's mission needs, reconciled with existing capabilities, priorities and resources. Capital asset investments should be compared against one another, rated and ranked using decision criteria (such as investment size, complexity, technical risk, expected performance benefits or improvement) to create a prioritized portfolio. You should request funding only for priority capital asset investments that demonstrate compliance with the requirements for managing capital assets described in this section and the agency's capital programming process. As a general presumption, OMB will only consider recommending for funding in the President's budget, priority capital asset investments that comply with the policies for good capital programming described in section [300.5](#), and the Capital Programming Guide.

New investments must be justified based on the need to fill a gap in the agency's ability to meet strategic goals and objectives (including those identified in section [53](#)) with the least life-cycle costs of all the various possible solutions and provide risk-adjusted cost and schedule goals and measurable performance benefits. Investments that are still in the planning or full acquisition stages must demonstrate satisfactory progress toward achieving baseline cost, schedule and performance goals. Assets that are in operation (steady state) must demonstrate how close actual annual operating and maintenance costs are to the original life-cycle cost estimates, and whether the level or quality of performance/capability meets the original performance goals and continues to meet agency and user needs.

300.8 What other requirements does exhibit 300 fulfill?

Exhibit 300 is designed to coordinate OMB's collection of agency information for its reports to Congress required by the Federal Acquisition Streamlining Act of 1994 (FASA) (Title V), the Clinger-Cohen Act of 1996, the Federal Information Security Management Act, and the E-Government Act of 2002.

300.9 What must I report on exhibit 300 and when?

Capital asset plan and business case summaries (exhibit 300s) provide information and data that are products of your capital programming process. You must submit an exhibit 300 for each new and on-going major acquisition or IT investment included in your agency's capital asset portfolio.

Exhibit 300 requires information that demonstrates compliance with the capital programming and capital planning and investment control policies of this section and, for IT, compliance with OMB Circular A-130. Agency must justify new or continued funding for major acquisitions by demonstrating: a direct connection to the agency's strategic plan; a positive return on investment for the selected alternative; sound acquisition (program and procurement) planning; comprehensive risk mitigation and management planning; realistic cost and schedule goals, and measurable performance benefits. Detailed information to substantiate the portfolio of major

investments included in your justification will be documented in accordance with your agency's capital programming process.

Life cycle costs should be risk adjusted to include any risks identified in the Risk Management plan for the asset that have not been mitigated. Examples could include strategic risks, technological risks, human capital issues, acquisition strategy, IT security and privacy risks, enterprise architecture, and any other issues identified in the agency's plan. For IT, OMB uses these costs to meet the Clinger-Cohen Act requirement that "at the same time that the President submits the budget for a fiscal year to Congress under section [1105\(a\) of title 31, United States Code](#), the Director shall submit to Congress a report on the net program performance benefits achieved as a result of major capital investments made by executive agencies in information systems and how the benefits relate to the accomplishment of the goals of the executive agencies."

For information technology, the funding stages for "Planning" plus "Full acquisition" are the same as the "Development/modernization/enhancement" entry described in section [53](#), and "Maintenance" is the same as "Steady state" in section 53. For further details on IT and IT reporting please see section [53](#).

Exhibit 300 consists of three Parts:

- Part I Summary Information and Justification (all assets)
- Part II Planning, Acquisition and Performance Information (all assets in Planning or Full Acquisition (DME) and Mixed Lifecycle Investments)
- Part III Performance and Management Information (all Operational assets (SS), excluding Mixed Lifecycle Investments)

For each major acquisition or IT investment, you will complete Part I and ***either*** Part II ***or*** Part III depending on whether it is currently in Planning or Full Acquisition (DME), Operation and Maintenance (SS) or Mixed Lifecycle. An electronic version of exhibit 300 is available at www.cio.gov.

Exhibit 300s must be included with your initial budget submission which is due by September 13, 2004. Consistent with the President's Management Agenda, "Expanding Electronic Government," all exhibit 300s for IT investments must be submitted to OMB via XML. For capital assets other than IT, agencies are encouraged to submit the exhibit 300 electronically, following the same instructions provided above.

Multi-Agency Exhibit 300s

The managing partner (lead agency) will take the lead to include managing it through the agency capital planning and budget process and submitting the exhibit 300 to OMB. The partnering agencies' information on funding and milestones is reflected in investment and funding plan section of the exhibit 300. The investment and funding plan will identify all participating agencies, the milestones they are responsible for, and the appropriation/funding source information for the partner agencies.

Partnering agencies will include a line item on their exhibit 53 (see section [53](#)) indicating that the funds are part of a multi-agency business case. The description provided on their exhibit 53 will describe where to find the business case in the managing partner's budget submission. Partnering agencies should ensure that their collaboration is indicated in the appropriate sections of the business case before it is submitted to OMB. The requirement for Investment Review Board for these investments is met by the managing partner agency's IRB review of the entire investment and participating agencies report their participation via their exhibit 53 through individual agencies' capital planning process.

In those cases where individual agency investments should be part of a multi-agency business case but have not yet begun the migration process, the project (investment) and funding plan of the business case should reflect the migration strategy to solution identified in the multi-agency business case. If an agency has agreed to partner on a

business case and solution, only one business case is required for the initiative or investment. However, partnering agency must ensure their participation is demonstrated in the multi-agency business case.

300.10 How will OMB use the exhibit 300?

Exhibit 300 is one component of your agency's total performance budget justification (see section 51.2). OMB uses exhibit 300 to make both quantitative decisions about budgetary resources and qualitative assessments about whether the agency's planning, acquisition, management and use of capital assets (investments) is consistent with OMB policy and guidance.

300.11 What additional information should I know?

You are encouraged, but not required, to provide additional information on the following or other topics related to improving planning, budgeting, and acquisition of capital assets. These topics may be included in the OMB budget review process on capital assets, which may affect policy decisions on asset acquisition. You are encouraged to raise any issues you consider relevant, such as:

(a) Lumpiness or spikes.

Lumpiness or spikes (i.e., large, one-time increases in year-to-year appropriations) may create bias against acquiring assets. Give special attention to these spikes for justified, cost-beneficial acquisitions, keeping in mind that the budget authority and outlay limits under the government-wide discretionary caps will continue to constrain resources. This issue is addressed in [Appendix J](#) - section C "Principles of Financing."

(b) Account structure.

Certain types of accounts may be preferred to ensure there is no bias against the acquisition of capital assets. You are encouraged to review the account structure to ensure that the most appropriate accounts are being used for the acquisition of capital assets. This issue also is addressed in [Appendix J](#) - section C "Principles of Financing".

(1) *Mixed accounts.* Mixed accounts have spending for both operating and capital asset acquisition in the same account, allowing for competition between the two. Demands for one may "crowd out" the other.

(2) *Asset acquisition accounts.* These accounts are devoted exclusively to the acquisition of capital assets. This type of account may be one way of avoiding lumpiness, if there is a roughly similar level of fully-funded budget authority for asset acquisition each year.

(3) *Revolving funds.* These accounts can also avoid lumpiness, depending on how they are structured. They purchase assets that are "rented" to other accounts, so that the accounts and programs using the assets have a roughly steady year-to-year payment.

(c) Multi-year availability of appropriations.

You should ensure that the availability of the requested appropriation allows enough time to complete the acquisition process. If the acquisition process requires more than one year, the appropriations should be made available for the number of years necessary (see part I, section [31.7](#)).

(d) Other observations.

You are invited to suggest other methods to improve planning, budgeting, and acquisition of capital assets.